

**1995**  
**IDAHO PARTNERSHIP**  
**RETURN OF INCOME**  
**AND INSTRUCTIONS**

- ☐ **FORM 65**
- ☐ **SCHEDULE 42**
- ☐ **FORM 41E**

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**FOR INFORMATION CONTACT THE OFFICE IN YOUR AREA:**

<b>BOISE</b>	<b>COEUR D'ALENE</b>	<b>IDAHO FALLS</b>	<b>LEWISTON</b>	<b>POCATELLO</b>	<b>TWIN FALLS</b>
800 PARK BLVD PLAZA IV (208) 334-7660	1910 NORTHWEST BLVD SUITE 100 (208) 769-1500	150 SHOUP AVE SUITE 16 (208) 525-7116	1118 "F" STREET (208) 799-3491	611 WILSON AVE (208) 236-6244	1038 BLUE LAKES BLVD N SUITE C (208) 736-3040

TOLL-FREE 1-800-972-7660 FROM WA, OR, UT AND ID  
HEARING IMPAIRED CALLERS (TDD) 1-800-377-3529

# GENERAL INFORMATION

## WHO MUST FILE FORM 65

- A partnership having one or more partners residing in Idaho.
- A partnership having business situs in Idaho.
- A limited liability company treated as a partnership for federal income tax purposes and meeting one of the requirements above.

## SITUS OR CONDUCTING BUSINESS

Situs in Idaho or conducting business in Idaho is indicated by, but not limited to, the following activities:

- owning or operating a business facility, property, or farm in Idaho;
- soliciting business in Idaho;
- being a member of a partnership with business in Idaho;
- any activity from which income is received, realized, or derived from an Idaho source; or
- having an agent, such as a collector, repair person, delivery person, etc., acting on your behalf in Idaho.

Situs does not exist if income is derived solely from interest or dividends from an Idaho source unless it is coupled with another source of Idaho income, such as the sale of Idaho property.

## HOW TO FILE

A complete copy of the federal income tax return must be attached to the Idaho income tax return. All Schedules K-1 must be attached to the return or submitted with the return on microfiche. Failure to attach a complete copy of the federal return may cause the return to be delinquent.

The return must be signed by an authorized individual on behalf of the partnership.

Money items on the return may be rounded to whole dollar amounts.

## WHERE TO FILE

Mail the return and payment to:

IDAHO STATE TAX COMMISSION  
PO BOX 56  
BOISE ID 83756-0201

## DUE DATE OF RETURN

Your return is due on or before the 15th day of the fourth month following the close of your tax year. For a calendar year filer, this is April 15. If the last day for filing a return falls on a Saturday, Sunday or legal holiday, the return is timely if it is filed on the next day which is not a Saturday, Sunday, or legal holiday.

## EXTENSION OF TIME TO FILE

If you cannot file your return by the due date, you must file for an extension of time on Form 41E. The extension must be filed on or before the due date of the tax return. Payment of the estimated tax due must accompany the extension. The extension is for six months. No further extension is allowed. You will receive notice only if the extension is denied. The return may be filed at any time before the extension expires.

Form 41E is only an extension of time to file the return. There is no extension of time to pay the tax owed. For the extension to be valid, it must include at least 80% of the tax due or 100% of the total tax reported on the previous year's tax return, if a return was filed for that year. Interest is charged on any unpaid tax from the due date until the tax is paid. If the request for extension of time does not have sufficient payment attached, a 5% penalty will apply to any tax due. The minimum penalty is \$10.

## ELECTRONIC FUNDS TRANSFERS

Tax payments of \$100,000 or more must be paid by electronic funds transfer. If you are making an electronic funds

transfer for the first time, contact Taxpayer Services at (208) 334-7660 for further information.

## PAYMENTS

Make your check or money order payable to the Idaho State Tax Commission and attach it to the tax return.

## PERMANENT BUILDING FUND TAX

A partnership is required to pay the permanent building fund tax for each nonresident partner who meets the Idaho filing requirements but does not report his partnership income on an Idaho individual return. If all partners file Idaho individual income tax returns, the partnership is not required to pay the permanent building fund tax.

## PENALTIES AND INTEREST

A penalty will be imposed against a partnership which is required to file, but fails to file, an Idaho return. The penalty is \$10 times the number of persons who are partners during any part of the tax year for each month the return is not filed, up to five months. If the partnership has no business activity in Idaho during the tax year, the penalty is \$10 times the number of partners who are Idaho residents or are corporations with a business situs in Idaho for each month the return is not filed, up to five months. Other penalties may be imposed on the tax due as follows:

- 5% for negligence or disregard of rules
- 5% per month or fraction of a month to a maximum of 25% for failure to pay the tax due
- 50% for filing a false or fraudulent return
- 10% for substantial understatement of tax

The minimum penalty is \$10.

Interest applies on delinquent tax from the due date of the return until the tax is paid at the rate of 8% per year (rate effective 1-1-96 to 12-31-96).

## PERIOD/TAX YEAR COVERED BY RETURN

Use the 1995 form to file your tax return for calendar year 1995 or the fiscal year beginning in 1995.

## ACCOUNTING PERIOD

You must use the same accounting period as that used for federal tax purposes. A change to the annual accounting period must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 1128, Application to Adopt, Change, or Retain a Tax Year, to your return.

## ACCOUNTING METHODS

You must use the same accounting method as that used for federal tax purposes. A change of accounting method must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 3115, Application for Change in Accounting Method, to your return.

## AMENDED RETURNS

If you discover an error on your return after it is filed, do not file the same form again. Use a Form 41X, Amended Business Income Tax Return, to make the necessary corrections. If you amend your federal return, an amended Idaho income tax return must be filed. The statute of limitations for receiving a refund is three years from the due date of the return or the date the return was filed, whichever is later.

## FEDERAL AUDIT

If your federal taxable income or tax credits change because of a federal audit, you must send written notice to the Idaho State Tax Commission within 60 days of the final federal determination. You must include copies of all schedules supplied by the Internal Revenue Service. If you owe additional Idaho tax and do not send written notice within 60 days, a 5% negligence penalty will be imposed. If the final federal determination re-

## GENERAL INFORMATION

sults in an Idaho refund and the statute of limitations is closed, you have one year from the date of the final determination to file for the refund.

### GENERAL INSTRUCTIONS FOR MULTISTATE/MULTINATIONAL TAXPAYERS AND UNITARY GROUPS

The following instructions apply only to partnerships which operate in Idaho and another state or country (multistate/multinational taxpayers) or have at least one partner who is a member of a unitary group.

#### ALLOCATION AND APPORTIONMENT OF INCOME

**Business Income.** Business income includes income from transactions or activity in the regular course of your trade or business. Business income also includes income from tangible or intangible property if the acquisition, management, or disposition of the property is an integral part of your regular trade or business operations. Business income may result even though the income was derived from an occasional or extraordinary transaction. All business income must be apportioned using the apportionment formula.

**Nonbusiness Income.** Nonbusiness income is all income other than business income and must be allocated, not apportioned. Allocation is the assignment of nonbusiness income to a specific state.

**Apportionment Formula.** The apportionment formula consists of three factors: property, payroll, and sales. These three percentages are averaged to arrive at the Idaho apportionment factor. For most taxpayers, the sales factor is double weighted. Electrical and telephone utilities must use a single weighted sales factor. See Schedule 42 for specific instructions.

#### EXCEPTIONS TO APPORTIONMENT FORMULA

If the allocation and apportionment provisions do not fairly represent your business activity in Idaho, one of the following exceptions may be used:

**Separate Accounting.** Separate accounting means allocating income and related expenses to the state where the activity occurred. Separate accounting may be used only with prior approval from the Idaho State Tax Commission. You must submit a written petition to the Tax Commission, Attention: Tax Policy, at least 30 days prior to the due date for filing the return, not including extensions. You will be notified of the determination.

**Exclusion Of A Factor.** If any of the factors (property, payroll, or sales) do not apply to your business, use the remaining factors to compute the Idaho apportionment factor. To determine the average percentage, divide only by the number of factors used.

**Tax On Gross Sales/Alternative Tax.** A partnership which neither owns nor rents Idaho property nor incurs Idaho payroll may elect to pay tax to Idaho at the rate of 1% of gross sales if its Idaho sales are \$100,000 or less.

#### MODIFIED FACTORS FOR CERTAIN INDUSTRIES

The following businesses must use special rules in computing the apportionment factors:

- Airlines
- Carriers of Freight or Passengers
- Construction Contractors
- Television and Radio Broadcasters
- Publishers

See Schedule 42 for additional information.

#### UNITARY BUSINESS

A multistate business is unitary when the operations conducted in Idaho are integrated with, depend on, or contribute to the business outside Idaho. If there is such a relationship, the business is unitary.

A business is unitary if it meets one of the following tests:

- The three unities test. The three elements of a unitary business include:
  1. unity of ownership;
  2. unity of operation as evidenced by central divisions for functions such as purchasing, advertising, accounting and management; and
  3. unity of use in its centralized executive force and centralized system of operations.
- The contribution or dependency test. The operation of the portion of the business done in the state depends on or contributes to the operation of the overall business.

If unity of ownership exists, the presence of any of the following factors creates a strong presumption that the activities of the taxpayer constitute a unitary business:

1. All activities of the group are in the same general line or type of business.
2. The activities of the group constitute different steps in a vertically structured enterprise.
3. The group is characterized by centralized management.

#### MULTISTATE CORPORATE MEMBERS OF PARTNERSHIPS

If a corporation required to file an Idaho income tax return is a member of an operating partnership or joint venture, the corporation must apportion its share of the partnership's business income or loss along with all other net business income or loss of the corporation. The corporation's share of the partnership's property, payroll and sales is determined in the same proportion as the partnership's income is distributed and must be included in the corporation's apportionment computation.

## 1995 LAW CHANGES

**House Bill 162** expands the deduction for donations of technological equipment made to educational institutions located in Idaho to include donations to public and private universities, colleges, community colleges, and technical colleges.

**House Bill 216** changes the computation of the investment tax credit by allowing property that is replacement property to qualify for the credit assuming it otherwise qualifies. The credit claimed

against the taxpayer's income tax is limited to 45% of the tax. The carryover has been extended to 7 years for investments made after 1989. The investment of all property used in and outside Idaho is determined using one of the following methods: the percentage of the property's use in Idaho or the portion of the cost of the property attributed to Idaho in the property factor numerator.

# FORM 65 SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.  
General information instructions beginning on page 1 also apply to this form

## HEADING

File the 1995 return for calendar year 1995 or a fiscal year that begins in 1995. For a fiscal year, fill in the tax year space at the top of the form.

If you received a preaddressed label that is in error, correct the label and place it over the name and address area of the return. If you did not receive a preaddressed label, type or print the partnership's legal name, business name, address, and federal employer identification number in the space provided.

## QUESTIONS 1-10

Mark the appropriate box and provide the requested information. Each question must be answered or the return will be considered incomplete. Incomplete returns will cause processing delays.

### Question 1 NAME CHANGE

If the partnership changed its name since it last filed, check the "Yes" box and enter the name the way it appeared on the last filed return.

### Question 2 FEDERAL AUDIT

If a federal audit was completed during the tax year, enter the most recent tax year covered in the audit.

### Question 3 FINAL RETURN

If this is the partnership's final return for Idaho, check the box that explains the reason. Enter the date the partnership dissolved or withdrew from Idaho.

### Question 4 NEXT YEAR'S FORMS

If the partnership does not need income tax forms mailed to it next year, please check the "No" box. Instead of forms, the partnership will receive a card with a mailing label attached. The card should be given to the tax preparer so the label can be put on the return. Using the label will speed the processing of the return.

### Question 5 ELECTRICAL OR TELEPHONE UTILITY

If this return is for an electrical or telephone utility, check the "Yes" box. Electrical and telephone utilities apportion business income using a different apportionment factor calculation.

### Question 6 OWNERSHIP CHANGE

Check the "Yes" box if a partner terminated his interest in the partnership or if a new partner acquired an interest in the partnership.

### Question 7 LIMITED LIABILITY COMPANY

If your entity was formed as a limited liability company under state law, check the "Yes" box. If the entity is treated as a corporation for federal income tax purposes do not file Form 65; use Form 41.

### Question 8 IDAHO NEW JOBS CREDIT

Enter the amount shown on line 8, Part I, Form 55. This is the Idaho new jobs credit the partnership earned and passed through to the partners.

### Question 9 IDAHO INVESTMENT TAX CREDIT

Enter the amount of the earned credit from line 2, Part I, Form 49. This is the Idaho investment tax credit the partnership earned and passed through to the partners.

### Question 10 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

Enter the amount shown on line 13, Part III, Form 49R. This is the amount of recapture of Idaho investment tax credit the partnership passed through to the partners.

The partnership must provide a schedule to each partner which shows all Idaho income, deductions, apportionment factors, tax credits and tax credit recapture that is reportable by the part-

ner. A copy of this schedule and the federal Schedule K-1, Form 1065 must be attached to the Idaho Form 65 and be furnished to each partner.

## INCOME

### LINE 14 PORTFOLIO INCOME

Enter your net portfolio income or loss from Form 1065, Schedule K, lines 4a through 4f.

### LINE 15 OTHER INCOME

Enter your other income from Form 1065, Schedule K, lines 6 and 7.

### LINE 16 DEDUCTIONS

Enter your deductions from Form 1065, Schedule K, lines 8 through 11 plus the lesser of line 12a or 12b(1) less 12b(2).

### LINE 18 INTEREST AND DIVIDENDS NOT TAXABLE UNDER FEDERAL CODE

Enter the interest and dividends net of applicable amortization received or accrued from obligations of any state or political subdivision excluded from federal income under the provisions of the Internal Revenue Code. Attach a schedule.

### LINE 19 OTHER ADDITIONS

Enter any miscellaneous Idaho additions. Attach a schedule identifying each miscellaneous addition.

### LINE 21 INTEREST FROM IDAHO MUNICIPAL SECURITIES

Enter interest received from securities issued by the state of Idaho and its political subdivisions, if included on line 18.

### LINE 22 INTEREST ON U.S. OBLIGATIONS

Interest income you received from obligations of the U.S. Government is not subject to the Idaho tax. Deduct any U.S. Government interest included in federal taxable income, line 14. Examples of obligations of the U.S. Government include but are not limited to:

- Banks for Cooperatives
- Federal Farm Credit Banks
- Federal Financing Bank
- Federal Homeowners Loan Bank
- Federal Intermediate Credit Bank
- Federal Land Bank
- Guam
- Production Credit Associations
- Puerto Rico
- Student Loan Marketing Association
- Tennessee Valley Authority Bonds
- Territory of Alaska
- Territory of Hawaii
- Territory of Samoa
- U.S. Series EE and HH Bonds
- U.S. Treasury Bills and Notes
- Virgin Islands

Interest income received from the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) is not paid by the U.S. Government and is subject to Idaho income tax.

### LINE 23 TECHNOLOGICAL EQUIPMENT DONATION

Enter the fair market value of technological equipment donated to a public elementary or secondary school, public or private college or university, public library, or library district located in Idaho. Items that qualify for this deduction are limited to computers, computer software, and scientific equipment or apparatus manufactured within five years of the date of donation. The amount deducted may not reduce Idaho taxable income to less than zero. Any unused deduction cannot be carried to another year.

# FORM 65

## LINE 24 FEDERAL TAX CREDIT FOR GASOHOL

Enter the amount included in federal income for the federal tax credit for sales and use of alcohol blended fuels (gasohol).

## LINE 25 ALLOCATED INCOME

Enter the amount of nonbusiness income. Attach a schedule detailing the source of income and an explanation of why the income was classified as nonbusiness.

## LINE 30 APPORTIONMENT FACTOR

If all the activity is in Idaho, enter 100%. If the partnership has multistate/multinational operations, enter the apportionment factor from Schedule 42, Part I, line 21. Attach Schedule 42.

## LINE 32 INCOME ALLOCATED TO IDAHO

Enter the amount of nonbusiness income allocated to Idaho. Attach necessary schedules.

## LINE 33 COMPENSATION OF NONRESIDENT PARTNERS

When a partnership has income from Idaho sources, the salaries, wages, fees and other compensation paid to nonresident partners are treated as income from Idaho sources. If the nonresident partners who meet the Idaho filing requirement do not report these amounts on Idaho individual income tax returns, the amounts must be reported by the partnership and taxed at the corporate rate. Enter the amounts of such compensation multiplied by the apportionment percentage from line 30. Reasonable compensation for services performed outside of Idaho is not included in the computation.

## LINE 34 INCOME REPORTED ON PARTNERS' RETURNS

Resident partners must report partnership income on their Idaho individual income tax returns. Determine the amounts from lines 31 and 32 that are reportable by the resident partners.

Nonresident partners may report partnership income on their nonresident individual income tax returns. Determine the amounts from lines 31 and 32 that are reported by the nonresident partners.

## LINE 37 PERMANENT BUILDING FUND TAX

Partnerships that report taxable income on line 35 are required to pay the \$10 permanent building fund tax for each nonresident partner who is required to file, but does not file, an Idaho individual income tax return. The partner's requirement to file is based on his share of the partnership gross income. See the instructions for Form 43 to determine the filing requirement for individuals.

## LINE 38 SPECIAL FUELS TAX DUE

If you buy special fuels (diesel, propane, natural gas) without paying the special fuels tax and later use this fuel in licensed vehicles or in aircraft, special fuels tax is due. Enter the amount from line 18, Form 75. Attach Form 75.

## LINE 39 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of its estimated useful life, you must recompute the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured. Attach Form 49R.

## CREDITS

### LINE 41 CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES

If the partnership donated cash or goods to a qualified educational entity, it may claim one-half of the amount as a tax credit. The credit is limited to the lesser of:

- 20% of the tax on line 36, or
- \$50

A qualified educational entity includes:

- a nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of Idaho

- colleges and universities
- a nonprofit, private or public school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- the Idaho State Historical Society or its foundation
- an Idaho public library or its foundation
- an Idaho library district or its foundation
- an Idaho public or private nonprofit museum

### LINE 42 ETHANOL ALCOHOL PRODUCTION CREDIT

If you manufacture ethanol alcohol for use as a blend in producing gasohol, a tax credit is allowed based on the value of personal property or improvements used or constructed for this purpose. Attach Form 25.

### LINE 43 IDAHO INVESTMENT TAX CREDIT

If you acquire an asset for use in your business, you may have earned an investment tax credit.

The Idaho investment tax credit earned by a partnership will pass through to each partner based on that partner's distributive share of partnership profits. When a partnership has a fiscal year end other than that of the partner's, the investment tax credit will pass through in the same period that the partnership income or loss is required to be reported by the partner for federal tax purposes.

The partnership must prepare and distribute to each partner a schedule which shows all Idaho income, deductions and tax credits which must be reported on the partner's individual Idaho income tax return. Each partner will use this information to determine the amount of Idaho investment tax credit, recapture of credit, and adjustments to the credit carryover to be reported on his Idaho income tax return. Copies of these schedules must be attached to the Idaho Partnership Return of Income for the year in which the investment tax credit is earned.

Report the earned credit computed on Part I, Form 49, and the allowed credit computed on Part II, Form 49. Attach Form 49.

### LINE 44 CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES

If the partnership donated cash or goods to a qualified youth or rehabilitation facility, it may claim one-half of the amount as a tax credit. The credit is limited to the lesser of:

- 20% of the tax on line 36, or
- \$100

The following are qualified youth or rehabilitation facilities:

- Anchor House
- The Arc, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- High Reachers, Inc., Mountain Home
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

### LINE 45 IDAHO NEW JOBS CREDIT

Idaho allows a credit for qualifying new employees of a partnership involved in one of the following:

- producing, assembling, fabricating, manufacturing, or processing any agricultural, mineral, or manufactured product;
- storing, warehousing, distributing, or selling at wholesale any products of agriculture, mining, or manufacturing;

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- feeding livestock at a feedlot; or
- operating laboratories or other facilities for scientific, agricultural, animal husbandry, or industrial research, development, or testing.

Limitations may apply. Attach Form 55.

## LINE 46 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If a partnership purchased equipment that manufactures a product from post-consumer or post-industrial waste, it may be entitled to a tax credit. The credit is earned the year that 90% of the production of the equipment is used to produce products utilizing post-consumer or post-industrial waste.

The credit is 20% of the cost to purchase the equipment. The credit is limited to \$30,000 per tax year. If the credit exceeds your income tax liability, the credit may be carried forward against income tax liabilities for up to seven years.

Product means any material resulting from a manufacturing process and offered for sale which is composed of at least 50% post-consumer or post-industrial waste. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Post-consumer waste or post-industrial waste means only products and materials consisting of glass, paper, or plastic which have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Qualified equipment is machinery or equipment located in Idaho with a useful life of three years or more. At least 90% of the equipment's production must result in manufactured products utilizing post-consumer or post-industrial waste.

Attach a schedule showing your computations, listing the qualifying equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

## PAYMENTS AND OTHER CREDITS

### LINE 49 ESTIMATED TAX PAID

Enter the amount of payment(s) made with Form 41E, Application for a Six-Month Extension to File Idaho Business Income

Tax Return, and the amount applied from your 1994 return.

### LINE 50 SPECIAL FUELS TAX REFUND

The special fuels (diesel, propane, natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from line 9, Form 75. Attach Form 75.

### LINE 51 GASOLINE TAX REFUND

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from line 8, Form 75. Attach Form 75.

## REFUND OR PAYMENT DUE

### LINE 54 PENALTY AND INTEREST

**Penalty:** If the partnership files a return or makes payment of tax after the due date, a 5% penalty for each month (or fraction of a month), up to a maximum of 25%, will apply to the tax due beyond the due date. If the partnership received an extension of time to file its return and did not include a payment of at least 80% of the tax due or 100% of the total tax reported last year, a 5% penalty will apply to the tax due. The minimum penalty is \$10.

**Interest:** Interest is charged on the tax due, line 53, from the due date until paid. The rate for 1996 is 8%.

### LINE 57 REFUND

You have the option of receiving all or a portion of the overpayment listed on line 56 as a refund, or applying all or a portion of the overpayment to your 1996 estimated tax. Enter the amount you wish to receive as a refund on this line. If you enter the total amount from line 56, you must enter zero on line 58.

### LINE 58 ESTIMATED TAX

You have the option of applying all or a portion of the overpayment listed on line 56 as a credit against your 1996 estimated tax. The amount you list on this line plus the amount on line 57 must equal the overpayment listed on line 56. If you listed the total overpayment as the amount you want refunded to you on line 57, you must enter zero on this line.

## INSTRUCTIONS FOR SCHEDULE 42 SUPPLEMENTAL SCHEDULE FOR MULTISTATE/MULTINATIONAL BUSINESS

Part I of this schedule provides the computation of the Idaho apportionment factor and is to be used by taxpayers who have income from business activity which is taxable in Idaho and another state or country.

Part II of this schedule provides the worldwide and water's edge adjustments to compute combined income. Only corporations with foreign affiliates use Part II.

## PART I APPORTIONMENT FORMULA

### GENERAL INFORMATION

If the taxpayer transacts business in Idaho and another state or country, attach a schedule showing apportionment detail.

#### Property Factor

The property factor is a fraction. The numerator is the average value of real and tangible personal property owned or rented and used in Idaho during the tax year to produce business income. The denominator is the average value of all the taxpayer's

real and tangible personal property owned or rented and used during the tax year to produce business income. Property used in the production of nonbusiness income is excluded from the factor.

Property is included in the factor if it is actually used or capable of being used during the tax year in the regular course of the trade or business of the taxpayer. Property under construction is excluded.

Property owned by the taxpayer is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustments) when it was acquired by the taxpayer and adjusted for subsequent capital additions or improvements, special deductions or partial disposition because of sale, exchange, abandonment, etc. Depreciation does not reduce original cost.

The average value of property owned by the taxpayer is computed by averaging the values at the beginning and ending of the tax year. The Idaho State Tax Commission may require or

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allow the averaging of monthly values to properly reflect the average values.

Property rented is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rents paid for the property, less the aggregate annual subrental rates paid by subtenants. Subrents are not deducted when the subrents are business income.

### Sales Factor

The sales factor is double weighted for all taxpayers except electrical and telephone utilities. Electrical and telephone utilities use a single-weighted sales factor.

The sales factor is a fraction. The numerator is the gross receipts derived during the year from transactions and activities attributable to Idaho in the regular course of the taxpayer's trade or business. The denominator is the total gross receipts derived during the tax year from transactions and activities everywhere in the regular course of the taxpayer's trade or business. Receipts derived from the production of nonbusiness income are excluded from the sales factor.

Sales means all gross receipts derived from transactions and activity in the regular course of trade or business. Gross receipts means gross sales, less returns and allowances. Gross receipts from sales of tangible personal property are assigned to Idaho if:

- property is delivered or shipped to a purchaser in Idaho regardless of F.O.B. point or other conditions of sales; or
- property is shipped from an office, store, warehouse, factory, or other place of storage in Idaho and the taxpayer is not taxable in the state of the purchaser (throwback sales) or the purchaser is the United States Government.

Sales also include gross receipts from services and all other gross receipts such as interest, dividends, rents, royalties, gross receipts from the sale of property, and other income derived by the taxpayer in the regular course of business. If gross receipts do not fairly represent the extent of your business activity in Idaho, you may petition, or may be required, to use another method to obtain an equitable result. Income from services is attributable to this state to the extent that the services are performed in Idaho.

### Payroll Factor

The payroll factor is a fraction. The numerator is the compensation paid in Idaho during the tax year to produce business income. The denominator is the total compensation paid during the tax year to produce business income. Compensation connected with the production of nonbusiness income is excluded from the payroll factor.

The total amount paid to employees is determined on the basis of the taxpayer's accounting method. Under the accrual method, all compensation properly accrued is deemed to have been paid.

If the taxpayer is required to report the compensation under the cash method for unemployment compensation purposes, compensation paid to employees may be included in the payroll factor using the cash method.

Compensation means wages, salaries, commissions and any other form of payment to employees for personal services. Payments made to an independent contractor, or any other person not properly classifiable as an employee, are excluded.

Compensation is paid in Idaho if any one of the following tests are met:

- the individual's service is performed entirely within Idaho; or
- the individual's service is performed both in and outside Idaho, but the service performed outside Idaho is incidental to the individual's service in Idaho; or
- some of the service is performed in Idaho and the base of operations, or, if there is no base of operations, the place from

- which the service is directed or controlled is in Idaho, or
- some of the service is performed in Idaho and the base of operations, or the place from which the service is directed or controlled, is not in any state in which some part of the service is performed, but the individual's residence is in Idaho.

### MODIFIED FACTORS FOR CERTAIN INDUSTRIES

The following industries use special rules to compute the apportionment factors. Examples of the computation of apportionment factors are found in the applicable Idaho Administrative Income Tax Rules.

#### Airlines

If you are in the business of transporting passengers, freight or mail by air, your apportionment factor should reflect the movement of your transportation equipment and personnel. This is done by including transportation revenue, property ready for flight, and transportation payroll in the Idaho numerators based on the percentage of Idaho departures of aircraft weighted as to the value of aircraft by type to the total departures similarly weighted.

The value of nonflight property and nonflight payroll will be allocated to the state based on the general apportionment rules.

#### Carriers of Freight and Passengers

If you are in the business of transporting passengers, freight, or mail by motor carrier or rail, your apportionment factor should reflect the movement of your transportation equipment and personnel. This is done by including the transportation revenue, property and payroll in the Idaho numerators based on the percentage of miles traveled in Idaho to miles traveled everywhere.

Other revenue, fixed property, and compensation of employees assigned to fixed locations are included in the factors based on the general apportionment rules. Per diem and mileage charges paid or received for the temporary use of railroad cars should not be included in the sales or property factors.

#### Contractors

You must use the same long-term contract accounting method for Idaho reporting purposes that you used for federal reporting purposes.

If the percentage of completion method is used, the following special rules apply in addition to the general property, payroll, and sales factor rules.

The property factor denominator includes the average value of the taxpayer's cost of construction in progress (including materials and labor) to the extent the costs exceed progress billings. The portion of this amount attributable to construction projects in Idaho is included in the Idaho numerator. If progress billings exceed construction costs, do not include any value in the property factors for the taxpayer's equity in the project.

The sales factor includes only the portion of the gross contract price which corresponds to the percentage of the entire contract which was completed at the end of the tax year. For example, if the project was 30% complete at the end of the tax year, 30% of the bid price should be included in the gross receipts. Gross receipts from a construction project are attributable to Idaho if the construction is located in Idaho. Gross receipts from a construction project located partially in Idaho are included in the numerator based on the ratio of construction costs for the project in Idaho for the tax year to the total of construction costs for that project for the tax year.

Compensation paid for work on a particular construction project is included in the payroll factor even though capitalized into the cost of construction. Compensation is attributable to the state where most of the employee's service is performed, regardless of where reported for unemployment tax purposes.

#### Publishers

If you are in the business of publishing, selling, licensing or dis-

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tributing books, newspapers, magazines, periodicals, trade journals or other printed material, include outer-jurisdictional property in the property factor whether owned or rented if used in your business. Outer-jurisdictional property includes such items as orbiting satellites and undersea transmission cables which are not physically located in any particular state. The portion of outer-jurisdictional property attributable to Idaho is computed based on the ratio of Idaho usage to usage everywhere.

The sales numerator includes gross receipts from the sale of printed materials delivered or shipped to a purchaser or subscriber in Idaho. Gross receipts from the advertising and the sale, rental or other use of customer lists are included as Idaho sales as determined by a circulation factor.

If the purchaser or subscriber is the U.S. Government or you are not taxable in the state, the gross receipts are attributable to Idaho if the printed material or other property is shipped from a business location in Idaho.

### Broadcasters

If you are in the business of conducting television or radio broadcasts, either through a network or through an affiliated, unaffiliated or independent television or radio broadcasting station, your apportionment factor should exclude outer-jurisdictional, film and radio programming property. Outer-jurisdictional property includes orbiting satellites and undersea transmission cables which are not physically located in any particular state. Film programming means performances, events, or productions telecast, live or otherwise, on television and includes news, sporting events, in the format of a motion picture, a video tape, or other medium. Radio programming means all performances, events or

productions broadcast live or otherwise on radio including commercial, education or artistic works, in the format of an audio tape, disc or other medium.

Audio or video cassettes, discs or similar medium containing film or radio programming which is intended for sale or rental for home viewing or listening is included in the property factor at original cost.

The value of property located or used in Idaho for part of the taxable year is included in the Idaho property numerator based on the ratio that the number of days the property is located or used in Idaho bears to the total number of days you owned or rented the property during the tax year.

Idaho sales include advertising revenue from live television, film or radio programming in release to or by television and radio stations located in Idaho and receipts from live telecasts, films and radio programs based on the audience factor.

The payroll factor includes residual and profit participation payments paid to employees, directors, actors, newscasters and other individuals in a role of employee. Amounts paid to an individual, corporation or other business entity for providing the services of directors, actors, newscasters and other talent for a live television broadcast, film or radio program are included if such payments were at least 25% of total compensation paid to employees, and that failure to include the amounts would not fairly represent the extent of your business activity in Idaho. The portion of these amounts attributable to Idaho is determined according to the general apportionment rules.

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## SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form. Compute all percentages to four decimal places (00.0000%).

### Property

Lines 1 through 4. Enter the beginning and end of the year total and Idaho property amounts.

Line 9. Divide Idaho property by total property (amounts on line 8).

### Sales

Lines 11 and 12. Enter the amounts from line 10 which were delivered or shipped to Idaho purchasers (line 11) or which were throwback sales to Idaho (line 12).

Line 14. Attach a detailed schedule.

Line 16. Divide Idaho gross receipts by total gross receipts (amounts on line 15).

Electrical and telephone utilities. This is your single-weighted sales factor. Go to line 18.

Line 17. For all taxpayers other than electrical and telephone utilities, multiply the amount on line 16 by 2. This is your double-weighted sales factor.

### Payroll

Line 19. Divide Idaho wages and salaries by total wages and salaries (amounts on line 18).

### Total Percent

Line 20. For all taxpayers other than electrical and telephone utilities, add the percentages on lines 9, 17, and 19. For electrical and telephone utilities, add the percentages on lines 9, 16, and 19.

### Idaho Apportionment Factor

Line 21. For all taxpayers other than electrical and telephone utilities, divide the total percentages on line 20 by 4. For electrical and telephone utilities, divide the total percentages on line 20 by 3. If any of the factors do not apply to your business, divide the total on line 20 by the number of factors used.